

MIKE CAUSEY

THE FEDERAL DIARY

Move Afoot to Trim Fed Retirement Benefits

The Reagan administration is quietly laying the groundwork for a drive next year to trim billions of dollars in retirement benefits for government clerks, electricians, letter carriers, scientists, Central Intelligence Agency workers and Foreign Service staffers.

Under the plan, which would have to be approved by Congress, federal workers would have to kick in more of their salaries to the retirement fund. In addition, a less generous formula would be used to compute their initial annuities, and a means test—limiting full raises to the lowest-income retirees—would be applied for the first time to cost-of-living adjustments (COLAs) for federal retirees.

Officials estimate that the package of changes—it does not include raising the retirement age—would save the government \$12.8 billion over the next four years. Put another way, it would shave \$12.8 billion from the benefits that workers and retirees could expect to receive over the next four years.

A formal legislative proposal to make the benefits changes has been prepared by the Office of Personnel Management and sent to the Office of Management and Budget for approval. OMB is expected to clear the package without question, since it contains suggestions the president made in his budget.

The plan, as presently conceived, would:

- Gradually raise the amount workers must contribute to the civil service retirement fund (now 7 percent of salary for most employees) to 9 percent. The effect would be to reduce take-home pay for all workers by 2 percent and lower the amount that agencies put into the retirement fund. OPM estimates that retirement costs are equal to 29½ percent of the federal payroll.

- Change the formula used to compute annuities for employees. At present, a worker's initial pension is based on years of service and the employee's highest average annual earnings during three consecutive years.

The administration plan would change that computation formula back to a salary average over the highest five years that was used for many years. The so-called "high-five plan" would reduce slightly the an-

nunity due people retiring in the future. Employees who leave government—but then come back years later and work for a brief time to boost their annuities—would be hardest hit by the high-five plan.

- Limit full cost-of-living adjustments to only the first \$10,000 of annuity. Annuity amounts over \$10,000 would get a COLA adjustment equal to 55 percent of the actual rise in the inflation rate. The estimated saving on that proposal by 1989 is \$4.5 billion.

- Divorce District of Columbia government workers hired after Sept. 30 of this year from the civil service retirement program, as well as the federal health and life insurance benefits plan. The District would be required to set up its own health and life insurance programs for new hires.

- Eliminate survivor benefits—now payable to children of feds who die in service if those children are full-time students—in the future. This change, similar to changes made in social security survivor benefits, would not affect current recipients of the benefits. OPM says this would save \$108 million over the next four years.

Administration officials concede that there is little chance Congress will make any of the changes this year, although they hold out some hope that the high-five formula change might be approved.

"What we want to do," an official said, "is have them on the table so that Congress will be prepared to look at the changes next year—when it is mandated by law to come up with a supplementary retirement system for workers hired since January of this year."